

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

1
2
3 RESPONDENTS: Democratic Congressional Campaign Committee MURs 7169, 7170,
4 and Kelly Ward in her official capacity as treasurer 7171, 7172, 7173,
5 7174, 7175, 7176,
6 7178, 7179, 7182,
7 7187, 7188
8 Hillary for America and Jose Villarreal in his MURs 7169, 7170,
9 official capacity as treasurer 7171, 7172, 7173,
10 7174, 7175, 7176,
11 7177, 7178, 7179,
12 7182, 7187, 7188
13 Santarsiero for Congress and Lora Haggard in her MUR 7169
14 official capacity as treasurer
15 Ruben Kihuen for Congress and Jay Petterson in his MUR 7170
16 official capacity as treasurer
17 Nelson for Wisconsin and Dr. Beth Gillis in her MUR 7171
18 official capacity as treasurer
19 Colleen Deacon for Congress and Jennifer May in MUR 7172
20 her official capacity as treasurer
21 Applegate for Congress and Douglas Applegate in MUR 7173
22 his official capacity as treasurer
23 Mowrer for Iowa and Dennis Skinner is his official MUR 7174
24 capacity as treasurer
25 Texans for Pete and Wayne Alexander in his MUR 7175
26 official capacity as treasurer
27 Suzanna Shkreli for Congress and Jennifer May in MUR 7176
28 her official capacity as treasurer
29 Colorado Democratic Party and Judith Steinberg in MUR 7177
30 her official capacity as treasurer
31 Carroll for Colorado and Mitchell S. Wright in his MUR 7177
32 official capacity as treasurer
33 Eggman for Congress and Jay Petterson in his MUR 7178
34 official capacity as treasurer
35 Stephanie Murray for Congress and Jennifer May in MUR 7179
36 her official capacity as treasurer
37 Bryan Caforio for Congress and Gonzalo Freixes in MUR 7182
38 his official capacity as treasurer
39 Friends of Christina M. Hartman and Diane MUR 7187
40 Topakian in her official capacity as treasurer
41 LuAnn Bennett for Congress and Jennifer May in MUR 7188
42 her official capacity as treasurer

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1 **II. FACTUAL AND LEGAL ANALYSIS**

2 **A. Allocation of the Costs of the Advertisements**

3 The Act defines a contribution as “any gift, subscription, loan, advance, or deposit of
4 money or anything of value made by any person for the purpose of influencing any election for
5 Federal office.”¹ The term “anything of value” includes all in-kind contributions.² Contributions
6 from a national or state committee to a candidate committee are limited to a total of \$5,000 per
7 election, and candidates and political committees are prohibited from knowingly accepting
8 contributions in excess of the Act’s limits.³ The Act grants the national and state committees of
9 a political party authority to also support their general election candidates with coordinated
10 expenditures subject to certain limits.⁴ Political party committees may support their candidates
11 with independent expenditures, defined as expenditures that expressly advocate the election or
12 defeat of a clearly identified federal candidate and are not made in concert or cooperation with or
13 at the request or suggestion of such candidate, the candidate’s authorized political committee, or
14 their agents.⁵

15 Commission regulations provide that “[e]xpenditures, including in-kind contributions,
16 independent expenditures, and coordinated expenditures made on behalf of more than one clearly
17 identified Federal candidate shall be attributed to each such candidate according to the benefit
18 reasonably expected to be derived.”⁶ If either side pays for amounts that exceed their allocated

1 52 U.S.C. § 30101(8)(A).

2 11 C.F.R. § 100.52(d)(1).

3 52 U.S.C. § 30116(a)(2)(A), (f).

4 52 U.S.C. § 30116(d).

5 52 U.S.C. § 30101(17); 11 C.F.R. § 109.30. *See Colorado Rep. Fed. Campaign Comm. v. Federal Election Comm’n*, 518 U.S. 604 (1996). *See also* 11 C.F.R. § 100.22.

6 11 C.F.R. § 106.1(a).

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1 share of the total costs, then those excessive amounts are in-kind contributions to the other
2 candidate(s) involved. For broadcast communications, the attribution is determined by the
3 proportion of space or time devoted to each candidate as compared to the total space or time
4 devoted to all candidates.⁷

5 The Respondents assert that each of the fifteen advertisements in these matters clearly
6 identifies a Democratic candidate for Congress, and either expressly advocates against the
7 candidate's Republican opponent and Trump, or addresses the Republican opponent's support of
8 Trump. Complainant alleges that the DCCC and CDP made, and the Respondent Democratic
9 congressional candidate committees accepted, excessive contributions in connection with the
10 advertisements. Complainant argues that it was improper for the Respondents to allocate the
11 costs of the advertisements and, therefore, the amounts the DCCC paid in connection with each
12 advertisement were excessive, in-kind contributions to the respective individual candidate
13 committee.⁸

14 Respondents assert in response to the Complaints that the methods used to allocate the
15 costs from the ads were appropriate and that the resulting expenditures were reported correctly.
16 Specifically, Respondents assert that they applied the allocation method for broadcast
17 communications set forth in Section 106.1(a) of the Commission's regulations and allocated the
18 costs according to the space and time devoted to each entity as compared to the total space or

⁷ *Id.*

⁸ *See, e.g.,* MUR 7169 (Santarsiero), Compl. at 9. The Complaints discuss at length the Commission's treatment of hybrid ads. *See, e.g.,* MUR 7169, Compl. at 4-9. The Complaints note that the advertisements at issue here are not "hybrid communications" and that Respondents are improperly substituting the standard "generic party reference" with material attacking Donald Trump, while still attributing a portion of the cost of the advertisements to the DCCC/CDP. *See id.* at 2-4. Hybrid ads are defined as "communications that refer both to one or more clearly identified Federal candidates and generically to candidates of a political party." *See id.* at 3 quoting Notice of Proposed Rulemaking on Hybrid Communications, 72 Fed. Reg. 26,569, 26,770 (May 10, 2007). There are no generic references, such as "Democrats" or "Republicans," in any of the 15 ads at issue here.

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1 time devoted to all candidates.⁹ According to Respondents, the costs of the advertisements
2 identified in the Complaints were allocated between the DCCC or CDP and the Democratic
3 candidate whose opponent was featured in the ad along with Donald Trump, pursuant to a
4 time/space basis according to the portion of the ad that concerned each candidate.¹⁰ The portion
5 of each ad that addressed Trump was paid for by the DCCC.¹¹ The portion of each ad that
6 addressed the Republican congressional candidate was either paid for in full by the
7 corresponding Democratic congressional candidate or split between that Democratic candidate
8 and the DCCC spending under its coordinated party expenditure limit.¹²

9 For example, Respondents assert that they paid for the advertisement at issue in MUR
10 7170 (Kihuen) as an independent expenditure by the DCCC for the portion of the ad expressly
11 advocating against Trump and as an expenditure by Ruben Kihuen for Congress, the principal
12 campaign committee for Kihuen's campaign for Nevada's 4th Congressional District, because a
13 portion of the ad advocated against the election of Kihuen's opponent.¹³ This advertisement,
14 "Our Values" (0:30), contained the following audio:

⁹ Resp. of DCCC, Santarsiero for Congress, Ruben Kihuen for Congress, Nelson for Wisconsin, Colleen Deacon for Congress, Applegate for Congress, Mowrer for Iowa, Texans for Pete, Suzanna Shkreli for Congress, Eggman for Congress, Stephanie Murray for Congress, Bryan Caforio for Congress, Friends of Christina M. Hartman, and LuAnn Bennett for Congress ("Joint Resp.") at 5-13 (Dec. 22, 2016). This Joint Response applied to all fourteen Complaints at issue in this report. *See id.*

¹⁰ Joint Resp. at 4-5. The available record indicates that the subject advertisements aired during September and October 2016. The Joint Response indicates that the cost for the portion of each broadcast that was dedicated to the required disclaimer was split between the candidate and DCCC using the same ratio applied to the rest of the advertisement. *Id.* at 5-6.

¹¹ Joint Resp. at 4-5. The Respondents assert that this portion was reported by the DCCC as either an independent expenditure if it expressly advocated against Trump or an operating expenditure if it did not. *See id.* *See generally* 11 C.F.R. § 100.22.

¹² Joint Resp. at 4-5.

¹³ *See id.* Respondents allocated the payments in this manner for the advertisements at issue in MURs 7169 (Santarsiero), 7170 (Kihuen), 7171 (Nelson), 7174 (Mowrer), 7176 (Shkreli), and 7182 (Caforio).

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1 *Voiceover*: Donald Trump has made a lot of insulting
2 statements. [Footage of Trump].
3

4 *Trump*: "Ah. I don't know what I said. Ah." [Footage of
5 Trump].
6

7 *Trump*: "He's a Mexican." [Footage of Trump].
8

9 *Voiceover*: Trump insulted immigrants, women, a military
10 family and veterans with PTSD. [Footage of Trump beside
11 "examples," such as Khizr Khan].
12

13 *Kihuen*: "My opponent Crescent Hardy says he'll do anything
14 to help Donald Trump, and Hardy also stands with Cliven
15 Bundy." [Footage of Kihuen, Trump, and Hardy].
16

17 *Bundy*: "And I've often wondered . . . are they better off as
18 slaves, picking cotton?" [Footage of Kihuen and Bundy].
19

20 *Kihuen*: "Yeah, that guy." [Footage of Kihuen and Bundy].
21

22 *Kihuen*: "I'm Ruben Kihuen and I approve this message, because
23 these are not our values, and we're better off without Crescent
24 Hardy and Donald Trump." [Footage of Kihuen].¹⁴
25

26 In other instances, according to Respondents, the portion of an advertisement paid for by
27 the DCCC (under the allocation principles discussed above, because it addressed Trump) was
28 reported as an operating expenditure by the DCCC because that portion of the ad did not
29 expressly advocate Trump's defeat, but instead focused on policy issues.¹⁵ For example, the
30 Respondents assert that the ad in MUR 7172 (Deacon) was paid for by the DCCC in that manner
31 in part and in part as an expenditure by Colleen Deacon for Congress, the principal campaign
32 committee for Colleen Deacon's campaign for New York's 24th Congressional District because

¹⁴ See "Our Values," available at <https://www.youtube.com/watch?v=ulkmwN7ivMU> (Oct. 17, 2016).

¹⁵ Joint Resp. at 4-5. Respondents allocated the payments in this manner for the advertisements at issue in MURs 7172 (Deacon), 7175 (Gallego), 7178 (Eggman), 7179 (Murphy), and 7188 (Bennett).

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1 the portion of the advertisement that criticizes Trump's policy positions as an operating expense,
2 while Carroll for Colorado paid for the portion opposing Rep. Mike Coffman, Carroll's
3 opponent.¹⁸

4 Finally, in two matters, MURs 7173 (Applegate) and 7187 (Hartman), all of the costs of
5 the advertisements were split between the Democratic candidate and the DCCC spending under
6 its coordinated party expenditure limit.¹⁹

7 In the circumstances presented in these MURs, we believe it was reasonable for
8 Respondents to allocate the costs of the advertisements on a time and space basis pursuant to
9 Section 106.1(a). The Commission has previously approved the allocation of the costs of
10 communications that relate to more than one Federal candidate in Advisory Opinion 2010-10
11 (NTRL). There, the Commission addressed the appropriate allocation method for independent
12 expenditures in several Federal elections under Section 106.1(a).²⁰ The Commission opined,
13 *inter alia*, that independent expenditures that expressly advocate the election of several Federal
14 candidates in different races and identify, and compare the positions of, those candidates'
15 respective opponents, should be allocated among the different races, based on a time or space
16 analysis.²¹ The allocation is determined by comparing the proportion of the space or time
17 devoted to each race in the communication, with the total space or time devoted to all races in
18 the communication.²² The corresponding portion of the independent expenditure should be
19 reported as having been made in support of the candidates whose elections were expressly

¹⁸ CDP Resp. at 2-3 (Dec. 22, 2016); Joint Resp. at 4.

¹⁹ Joint Resp. at 4-5, 9.

²⁰ See Adv. Op. 2010-10 (National Right to Life PAC) at 5.

²¹ *Id.*

²² *Id.*

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1 advocated.²³ Here, Respondents assert that certain portions of the advertisements relating to
2 Trump do not contain express advocacy,²⁴ and the Commission has not expressly addressed
3 allocation of costs for communications that address multiple candidates but may not expressly
4 advocate for each candidate.²⁵ The Commission has also approved of these Section 106.1
5 allocation principles when an advertisement not only addresses two candidates, but is also paid
6 for by two separate parties.²⁶

7 The Commission has not explicitly addressed the allocation of costs of communications
8 that address multiple candidates but do not expressly advocate the election or defeat of those
9 candidates. However, Section 106.1(a) applies to “expenditures” – covering the DCCC and
10 candidate committee payments for any non-express advocacy ads – as well as to independent
11 expenditures, and the allocation method used by Respondents appears to satisfy the time and
12 space basis set forth in the regulation.²⁷

13 Based on the available record, it appears that the Respondents’ allocation of the costs of
14 the ads between the Democratic House campaign committees and either DCCC or CDP is
15 consistent with Section 106.1(a) and Commission precedent. The Complaints do not provide
16 information suggesting otherwise. Accordingly, the Commission finds no reason to believe that
17 the DCCC and CDP violated 52 U.S.C. § 30116(a) by making, or that the Democratic House

²³ *Id.*

²⁴ We do not analyze in this report whether Respondents have properly characterized the content of each advertisement.

²⁵ *Id.* at n. 5.

²⁶ See Adv. Op. 2007-24 (Burkee/Walz) at 5 (requiring the costs of joint ad devoting equal time and space between two candidates to be split equally between those two candidates’ committees). See also Adv. Op. 2004-37 (Waters) (describing payments by multiple candidates for brochure, under 106.1 allocation principles).

²⁷ Respondents assert that in attributing the cost of a communication among multiple candidates, the Commission does not look to whether or not the segment associated with a particular candidate contains express advocacy. See Joint Resp. at 6.

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1 In these matters, the payment prong of the coordinated communication test is satisfied
2 because the DCCC and CDP paid for, in part, the ads at issue. The content prong also appears to
3 be satisfied because the ads are either public communications containing express advocacy, or
4 public communications that clearly refer to a federal candidate and were publicly distributed or
5 disseminated in that candidate's jurisdiction within 90 days of a general election.³⁴

6 However, the Complaints do not allege specific facts that are sufficient to provide reason
7 to believe that the conduct prong has been satisfied. In fact, the Complaints offer only that there
8 is "close and ongoing coordination between the DCCC and HFA," and the Commission sees no
9 basis on the current record to conclude or reasonably infer that any of the types of conduct
10 described in the conduct prong have been satisfied.

11 Moreover, the Complaints' broad allegations of coordination between the DCCC and
12 HFA or the CDP and HFA are sufficiently rebutted by the specific sworn responses denying the
13 alleged coordination. The DCCC's Response provides a declaration from its Deputy Executive
14 Director, Michael Ian Russell, who worked on and supervised DCCC employees working on the
15 advertisements mentioning Trump.³⁵ According to Russell, during 2016 he did not work for
16 HFA in any capacity, and no DCCC employee or House campaign staff working on these
17 advertisements was employed by HFA at any time during the 120 day period prior to the date
18 each ad was created.³⁶ Russell avers that the program of advertisements was conceived by
19 DCCC without the request, suggestion, or assent of HFA or its agents, that staff were instructed

or used material information gained from past work with the candidate to create, produce, or distribute the communication; or (6) the payor republished campaign material under circumstances that satisfy one of the first five criteria identified here. 11 C.F.R. § 109.37(a)(3); *see also* § 109.21(d)(1)-(6).

³⁴ See 11 C.F.R. § 109.37(a)(2)(ii), (iii).

³⁵ Joint Resp., Ex. A.

³⁶ Russell Decl. ¶¶ 1, 9.

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1 not to discuss any aspect of the advertisements with HFA, and that he is not aware of any breach
2 of protocol.³⁷ He further avers that none of the advertisements were created, produced, or
3 distributed at the request or suggestion of HFA nor did they assent to the creation, production, or
4 distribution of the advertisements, and that HFA had no involvement with the DCCC or any of
5 the House campaign staff regarding the content, production, or distribution of the
6 advertisements.³⁸ Last, he avers that HFA did not convey any relevant information about its
7 plans, projects, activities, or needs concerning any advertisement.³⁹

8 Similarly, the CDP Response denies coordination and supplies a declaration from its
9 Chairman, Rick Palacio, averring that the advertisement in MUR 7177 was not created,
10 produced, or distributed at the request, suggestion, or assent of HFA, and that HFA was not
11 materially involved in – nor were there substantial discussions between HFA and CDP –
12 regarding the creation, production, or distribution of the advertisement.⁴⁰

13 HFA, for its part, denies that it or any of its agents coordinated any of the advertisements
14 with either the DCCC or the CDP, or their agents.⁴¹

15 In sum, the lack of available information indicating the sharing of campaign information,
16 the lack of specific facts in the Complaint, combined with the denials of any coordinating
17 activity, do not provide a sufficient predicate to investigate whether any conduct standard is

³⁷ *Id.* ¶¶ 3 - 6.

³⁸ *Id.* ¶ 7.

³⁹ *Id.* ¶ 8. In addition, the DCCC Responses provide declarations from media consultants working on the advertisements in MURs 7179 and 7188, which aver that during 2016 these companies also performed work for HFA, but that the advertisements were not created, produced, or distributed at the suggest or request of HFA, that HFA had no involvement in the advertisements, and that that the media consultants did not use or convey any information about HFA campaign plans, projects, activities, or needs to create, produce, or distribute the advertisements in question. Joint Resp., Ex. C.

⁴⁰ CDP Resp., Palacio Decl.

⁴¹ HFA Resp. at 1-2.

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1 satisfied. Therefore, the Commission finds no reason to believe that the DCCC and CDP made
2 excessive in-kind contributions to HFA in violation of 52 U.S.C. § 30116(a), or that HFA
3 received excessive in-kind contributions in violation of 52 U.S.C. § 30116(f) in connection with
4 the coordinated communication allegation.

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